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5 September 1956

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MEMORANDUM FOR: [REDACTED]

SUBJECT : [REDACTED] Comments on Draft Progress Report on
Indonesia, August 28, 1956.

1. Two additions are suggested to the draft Progress Report.

a. A sub-paragraph to be added to Paragraph 2, Summary Evaluations following sub-paragraph e., Soviet Bloc Economic Relations. The new sub-paragraph might read:

f. Free World Economic Relations

Private corporations are playing an active part in the industrialization of Indonesia. The American firm building a cement plant near Gresik impresses the Indonesians favorably, especially when compared to the East German firm building the sugar mill in Central Java, because the American firm is completing its contract ahead of schedule. The Krupp interests have taken a preliminary survey of investment possibilities and appear interested in undertaking several projects found to be economically feasible. The established American oil firms have plans to invest about \$140 million over the next four or five years. However, the drive for "Indonesianization", as expressed in draft legislation governing foreign investment and mining rights and in resolutions passed at the recent Nationalist Party (PNI) Congress, is a deterrent to expanded private Western investment.

b. A sentence to be inserted at the end of Paragraph 5, a, concerning labor unions which might read:

Communist Party (PKI) control of Indonesian labor unions is a particularly dangerous obstacle to these endeavors.

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2. In addition to the above suggestions, [REDACTED] wishes to note, in support of the aims for strengthening SEATO, that the military assistance sought by Indonesia might be tied in, if possible, with a new request for Indonesia to join SEATO.

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Attachment: Progress Report on
Indonesia (NSC 5518)

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Distribution:

Orig & 2 - addressee

1 - Registry

2 - [REDACTED]

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